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**FISCAL IMPACT STATEMENT**

**LS 6837**

**BILL NUMBER:** HB 1989

**NOTE PREPARED:** Jan 1, 2003

**BILL AMENDED:**

**SUBJECT:** Headquarters Relocation Tax Credit.

**FIRST AUTHOR:** Rep. Turner

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill provides that a business that relocates its corporate headquarters to a location in Indiana is entitled to a credit against its state tax liability equal to 50% of the amount of the relocation costs incurred relocating the headquarters. The bill allocates the credit to the taxpayer over a period of ten years.

**Effective Date:** January 1, 2004.

**Explanation of State Expenditures:** The Department of State Revenue (DOR) would be required to calculate the credit allowed and determine if the expenditure made by the taxpayer was the result of relocation of a corporate headquarters. The DOR would be required to consider whether the expenses made by a taxpayer would have occurred regardless if the taxpayer's business headquarters had relocated or not.

Tax forms, instructions, and computer programs will need to be revised in order to incorporate the new credit. The Department's current resources are sufficient to absorb the additional costs associated with this proposal.

**Explanation of State Revenues:** Taxpayers relocating a corporate headquarters could qualify for the Headquarters Relocation Credit. The credit would reduce state tax revenues by an indeterminable amount, beginning in FY 2005.

Under the bill, a taxpayer may take a credit equal to 50% of the taxpayer's relocation costs in a given tax year. In order to receive the credit, the taxpayer must relocate the headquarters of a corporation from a location outside of Indiana to Indiana, have at least 250 employees, and have had annual worldwide revenues

of at least \$1 B in the previous year. The tax credit is effective for tax years beginning January 1, 2004.

The credit would be applicable to the taxpayer's state tax liability consisting of the following taxes: State Gross Retail and Use Tax, Adjusted Gross Income Tax, Financial Institutions Tax, and the Insurance Premiums Tax. These taxes are deposited in the General Fund and the Property Tax Replacement Fund.

The credit would not be allowed to reduce a qualifying taxpayer's state tax liability below the amount of the taxpayer's state tax liability in the tax year immediately preceding the tax year that the taxpayer first incurred relocation costs.

Pass-through entities could qualify for the credit. If a pass-through entity does not have state tax liability as listed above, a shareholder, partner, or member of the pass-through entity is entitled to the credit equal to the percentage of the pass-through entity's distributive income multiplied by the credit determined for the entity in a taxable year.

The amount of credit awarded to a qualifying taxpayer would be divided equally over ten years beginning in the year the credit was granted. If the amount of credit exceeds a taxpayer's state tax liability for a tax year, the taxpayer may carry over excess credit to future tax years. The amount of the credit carryover from a taxable year would be reduced to the extent that the carryover is used by the taxpayer to obtain credit in future tax years.

The revenue loss from this credit would be partially offset by increased Individual Adjusted Gross Income and Sales Tax revenue generated from the new employment and business activities of the corporate headquarters.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** If the corporate headquarters locates in a county with a local option income tax, there could be additional revenue generated. The location of a new business entity in the county could also increase the assessed valuation of property and subsequently reduce the property tax rates of other tax payers in the area.

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:** Counties; Counties with a local option income tax.

**Information Sources:**

**Fiscal Analyst:** Diane Powers, 317-232-9853.